

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Parks	(2) MEETING DATE 10/30/2012	(3) CONTACT/PHONE Curtis Black 805 781-5204	
(4) SUBJECT Request to approve Amendment One to Operating Agreement between County Parks and California Department of Parks and Recreation for use and operation of specific State parklands, relinquish a portion of Pecho Valley Road and construct entry kiosk and allow entry fees for Montano de Oro State Park. District 2			
(5) RECOMMENDED ACTION It is recommended that the Board approve Amendment One to the Operating Agreement between San Luis Obispo County and the California Department of Parks and Recreation for the use and operation of Morro Bay Golf Course, Pecho Road in Montano de Oro State Park, Bishop Peak and the Beach, Pier, Veterans Memorial Hall and Old Creek in Cayucos and instruct the Chairperson to sign.			
(6) FUNDING SOURCE(S)	(7) CURRENT YEAR FINANCIAL IMPACT \$70,000.00 Savings	(8) ANNUAL FINANCIAL IMPACT \$70,000.00 Annual Savings	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. <u>20 min.</u> )			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)  N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP  Attached	(15) BUSINESS IMPACT STATEMENT?  No	(16) AGENDA ITEM HISTORY  <input type="checkbox"/> N/A   Date <u>8/10/1999; 6/23/2009</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Reviewed by Vincent Morici			
(18) SUPERVISOR DISTRICT(S) District 2 -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Parks / Curtis Black  
805 781-5204

DATE: 10/30/2012

SUBJECT: Request to approve Amendment One to Operating Agreement between County Parks and California Department of Parks and Recreation for use and operation of specific State parklands, relinquish a portion of Pecho Valley Road and construct entry kiosk and allow entry fees for Montano de Oro State Park. District 2

## **RECOMMENDATION**

It is recommended that the Board approve Amendment One to the Operating Agreement between San Luis Obispo County and the California Department of Parks and Recreation for the use and operation of Morro Bay Golf Course, Pecho Road in Montano de Oro State Park, Bishop Peak and the Beach, Pier, Veterans Memorial Hall and Old Creek in Cayucos and instruct the Chairperson to sign.

## **DISCUSSION**

The California Department of Parks and Recreation (CDPR) and the County of San Luis Obispo (County) have been involved in a series of Operating Agreements regarding County management of State owned facilities since the mid 1940's. The current twenty (20) year agreement between CDPR and the County was approved on August 10, 1999. Noted on the attached vicinity map, properties include the Morro Bay Golf Course (MBGC), Cayucos State Beach, Cayucos Pier, Cayucos Veterans Hall, the top of Bishop Peak, and an undeveloped site near Old Creek in Cayucos. The agreement also contains conditions allowing CDPR to install an entry kiosk on Pecho Road for Montaña de Oro State Park (MdO) at the end of the tenth contract year (2009).

The operating agreement from 1999 required the County to complete \$400,000 in capital improvements within the first five years of the agreement. In 2005, CDPR approved the list of completed capital projects that totaled \$423,917 in expenditures meeting the agreement requirement. Within the capital expense acceptance letter, CDPR also authorized the capital project to repair the water line that delivers water to Morro Bay Golf Course. The water line project would reach and exceed the additional \$300,000 of capital investment the County is required to expend by the 16th year of the agreement. This water line project has been on hold as staff pursued Amendment One of the agreement.

Amendment One of the agreement was intended to address CDPR's desire to move forward with constructing an entry kiosk at MdO allowing entry fees to assist in funding park operations and decrease MBGC lease costs paid by County as well as address any additional elements of need.

On June 23, 2009 the Board of Supervisors approved the construction of an entry kiosk on Pecho Valley Rd. and established four contingencies for State Parks to meet prior to moving forward with the Kiosk project and charging entry to MdO. These criteria are as follows:

- Offer an annual, single-family pass at MdO at a cost of approximately \$25.
- Offer free day-use to MdO for volunteers who serve the local district with at least 40 hours of service annually.
- Offer a commitment directing new revenues toward the development and maintenance of a trail system in the new park properties being acquired in the Irish Hills area.

- Agree to the proposed amendments to the Operating Agreement relative to rent payments and capital improvements at MBGC as submitted to State Parks under previous cover.

While discussing the above County conditions, CDPR requested ownership of that portion of Pecho Valley Road that will begin at the agreed location of the entry kiosk and continue within MdO. Staff sees this as appropriate in that State Parks would maintain the roadway, it will be entirely within MdO and CDPR will police its activities. In return CDPR has agreed to maintain public access to this roadway and maintain it in at least as good condition as the other roads within MdO. County staff requested a five-year extension of the agreement from January 2019 to January 2024 to allow for a longer time period to complete required capital investments.

On March 25, 2010 the County Planning Commission determined that the transfer of maintenance of Pecho Valley Road did not conform to the County General Plan. This determination, however, would not prevent approval of this negotiated amendment.

On August 25, 2011 the CDPR Director provided written approval of the above noted conditions provided by the Board of Supervisors and approved the framework for this amendment. Attached Amendment One contains the following elements:

- Five-Year extension of County's current Morro Bay Golf Course operating agreement from 2019 to 2024.
- Reduction of County Morro Bay Golf Course Lease costs from 10% to 5% of gross revenues annually.
- Increase the contractual amount of County's capital project investment from \$300,000 to \$475,000, which considers the five-year extension.
- Allows rent credits for approved County capital investments on properties within the agreement when the total investment exceeds \$475,000.
- Allows CDPR to permit, design, and construct a kiosk and collect fees for entrance of Montaña de Oro State Park via Pecho Valley Road per County BOS June 23, 2009 conditions.
- The County will relinquish Pecho Valley Road from future kiosk inward within MdO. CDPR agrees to maintain public access to this road, as well as, maintain the road at a level equal to that of other State Park roads.

Staff believes that the negotiated amendment to the current agreement is fair to both parties. This amendment will allow for continued local use of both County and State recreational facilities at a reasonable cost for the benefit of the local residents and guests. This amendment secures reduced lease fees for the County (50% reduction) and allows the State to provide user fees for MdO entry thereby strengthening CDPR revenues for MdO and helping ensure this remarkable park remains open for public use.

The County has a concession agreement for management of the golf operations at Morro Bay Golf Course including pro shop, restaurant, and driving range operations. The contract for this concessions agreement expired in 2011 and is being operated on a month to month basis. Extending the agreement through approving Amendment One will also allow County Parks to complete the process to establish a long term agreement with a concessionaire.

#### Capital Investments and Rent Credits

Amendment One requires capital investment of at least \$475,000 over the coming twelve years. However, many projects will be needed throughout the properties during this period. When approved projects are completed and the total amount exceeds \$475,000 the additional investment will be credited toward MBGC rents paid to State. This allows County expenditures at Cayucos Pier, Cayucos Veteran's Hall and Bishop Peak Trail to help reduce MBGC future rents whenever projects are preapproved. While staff does not have a comprehensive list of all projects that could be undertaken with this benefit, County is aware that restorative work for the Cayucos Pier will exceed \$1,300,000 within this time frame. Additionally, the Cayucos Veteran's Hall will require stucco, electrical upgrades and roofing within the coming twelve years. Capital investment is anticipated at MBGC to replace a leaking irrigation water main. This is a significant project that will likely exceed the costs required in Amendment One (\$475,000). Staff is seeking alternatives that may reduce the water line replacement costs but current estimate is approximately \$700,000. Additional potential MBGC projects include water tank bladder or replacement, restroom renovations, parking lot and cart path repairs and paving. Various projects will be presented to the Board as funding allows in the coming years.

#### OTHER AGENCY INVOLVEMENT

Staff has worked closely with California Department of Parks and Recreation, County Parks and Recreation Commission, County Counsel, County Department of Public Works, and the County Department of Planning and Building. Additionally, over the past four years recommendations were sought from the Community Advisory Council in Cayucos, the North

Coast, and Los Osos.

On August 23, 2012 the Los Osos Community Advisory Council expressed concern regarding public access to areas of MdO and the quality of road maintenance that State Parks may provide for their section of Pecho Valley Road.

#### **FINANCIAL CONSIDERATIONS/IMPACTS**

The approval of this amendment will reduce current annual County lease costs of approximately \$140,000 by 50% or approximately \$70,000 annually over a 13 year period for an approximate \$900,000 total savings in lease payments. As the lease payments are based on total revenues, an increase in total revenues would increase County lease savings above the estimated amount. Alternately, if total golf revenues decrease County lease savings would also decrease.

By relinquishing the maintenance Pecho Valley Road, County Public Works will have an approximate annual savings of \$40,000.

County Parks' required capital investment will increase from \$300,000 to \$475,000. Additional capital costs for approved repairs/renovations of MBGC, Cayucos Pier, Cayucos Veteran's Hall and other State properties in this agreement will provide rent credits to County when investments exceed the required \$475,000; thereby, further reducing MBGC operating costs in future years.

The approval of the agreement will also allow County Parks to pursue a Request for Proposals process what will create a long term lease with a golf course concessionaire which could improve the County's return and possibly require capital investments by the concessionaire.

#### **RESULTS**

Approval of Amendment One will result in the extension of a successful Operating Agreement between County and CDPR, decrease annual lease costs to County, aid in the enhancement of public recreation opportunities and reduce the likelihood of future considerations of the closure of Montaña de Oro State Park, thereby supporting County goals for providing a well-governed community, a healthy community, a prosperous community and a livable community.

#### **ATTACHMENTS**

Attachment A – Vicinity Map

Attachment B – Amendment One

Attachment C – Clerk's File, State Parks Operating Agreement 8/10/99